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YBM PRESS CONFERENCE REMARKS

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We are here today to announce the unsealing of a 45-count, superseding indictment with global implications. Four men are charged in a multi-million dollar, international corporate fraud scheme that was complex in scope, yet based on a shockingly simple axiom of fraudulent business – *lure investors with glossy financial reports as bait, tell them what they want to hear, whether it's true or not.*

Between 1993 and 1998, Semion Mogilevich controlled an enterprise which included the named defendants in key roles and

a network of companies in the U.S. and abroad. This complex network of corporations was set up to mislead the investing public into believing that a company with eastern European roots called “YBM,” incorporated in Canada and headquartered in Newtown, Bucks County, was engaged in a profitable, international business – primarily the design and sale of industrial magnets.

In reality, the attempts to show that “YBM” was both legitimate and successful were nothing more than well-designed illusions – a corporate house of cards that made it to the Toronto Stock Exchange Index of 300 leading companies.

What was really being manufactured was a formula for fraud.

And in fact, the company’s glossy, annual report could rank among the great works of modern fiction.

As the indictment alleges, the defendants inflated the value of “YBM” stock so they could profit at the public’s expense.

Books were cooked, auditors were deceived, bribes were offered to accountants. The defendants profited to the tune of more than 33-million dollars, while the total loss to investors was more than 150-million dollars.

And a word about the *investors*, the real victims in this case, hundreds if not thousands of them, deceived by false reports of YBM’s profitability and market penetration – worldwide, with purchased stock at fraudulently inflated prices. Many of these small investors lost pensions and retirements, while conspiring corporate insiders unjustly enriched themselves with undeserved salaries, bonuses, and stock options. The investors gave the defendants their nest eggs and their trust. In return, they received portfolios based on empty promises.

This complex scheme to defraud triggered an equally complex investigation, one that led us through five years and 25 countries. In 1998, the house of cards began to collapse when federal search warrants were executed on YBM's Bucks County headquarters. We've been following the money ever since, to off-shore accounts in places like the Channel Islands off the coast of England, the Cayman Islands, Israel, Hungary, Ukraine, Russia, and Lithuania. Without the cooperation of those governments and others, this investigation would not have been brought to a successful conclusion.

The defendants *used* those 25 countries to make it more difficult for investigators, auditors, and even forensic examiners to uncover their operation.

Investment, particularly in the stock market, comes with risk. But investors have the right to know that the risks they take and the decisions they make are based on truth.

It is fundamental that investors must have confidence in the information they rely on to make their investment choices.

This case sends a message that extends well beyond our borders: *that no matter how long it takes us or wherever it takes us, we are committed to stopping corporate fraud at its source.*

I'd now like to introduce Jeff Lampinski, Special Agent-In-Charge of the FBI's Philadelphia Field Office.